

Le Mars Community School
District

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2005

LE MARS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2005

**LE MARS COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005
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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2005

Board of Education (Before September 2004 Election)

		Term Expires
Cris Collins	President	2004
Dr. Leon Scott	Vice President	2006
Daniel Smith	Board Member	2005
Patrick Murphy	Board Member	2004
Dr. Mark Stelzer	Board Member	2004
Dr. Chuck Holz	Board Member	2006
Marjorie Franke	Board Member	2005

Board of Education (After September 2004 Election)

Cris Collins	President	2007
Dr. Leon Scott	Vice President	2006
Dr. Mark Stelzer	Board Member	2007
Patrick Murphy	Board Member	2007
Daniel Smith	Board Member	2005
Dr. Chuck Holz	Board Member	2006
Marjorie Franke	Board Member	2005

School Officials

Dr. Todd Wendt	Superintendent	2005
Derald Philips	District Secretary	2005
Kim Clarey	District Treasurer	2005
Bauerly, Trotzig & Bauerly	Attorney	2005



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Le Mars Community School District
Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Le Mars Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Le Mars Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005 on our consideration of the Le Mars Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Le Mars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplemental information, included in Schedules 1 through 8, including the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
August 11, 2005

LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS

Le Mars Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

General fund revenues increased from \$13,894,185 in fiscal 2004 to \$14,480,075 in fiscal 2005, while General fund expenditures increased from \$14,105,458 in fiscal 2004 to \$14,687,221 in fiscal 2005. The District's General fund balance decreased from \$2,803,040 in fiscal 2004 to \$2,683,859 in fiscal 2005, a 4.3% decrease.

The increase in General fund revenues was attributable to an increase in state foundation aid in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Le Mars Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and Capital Project Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

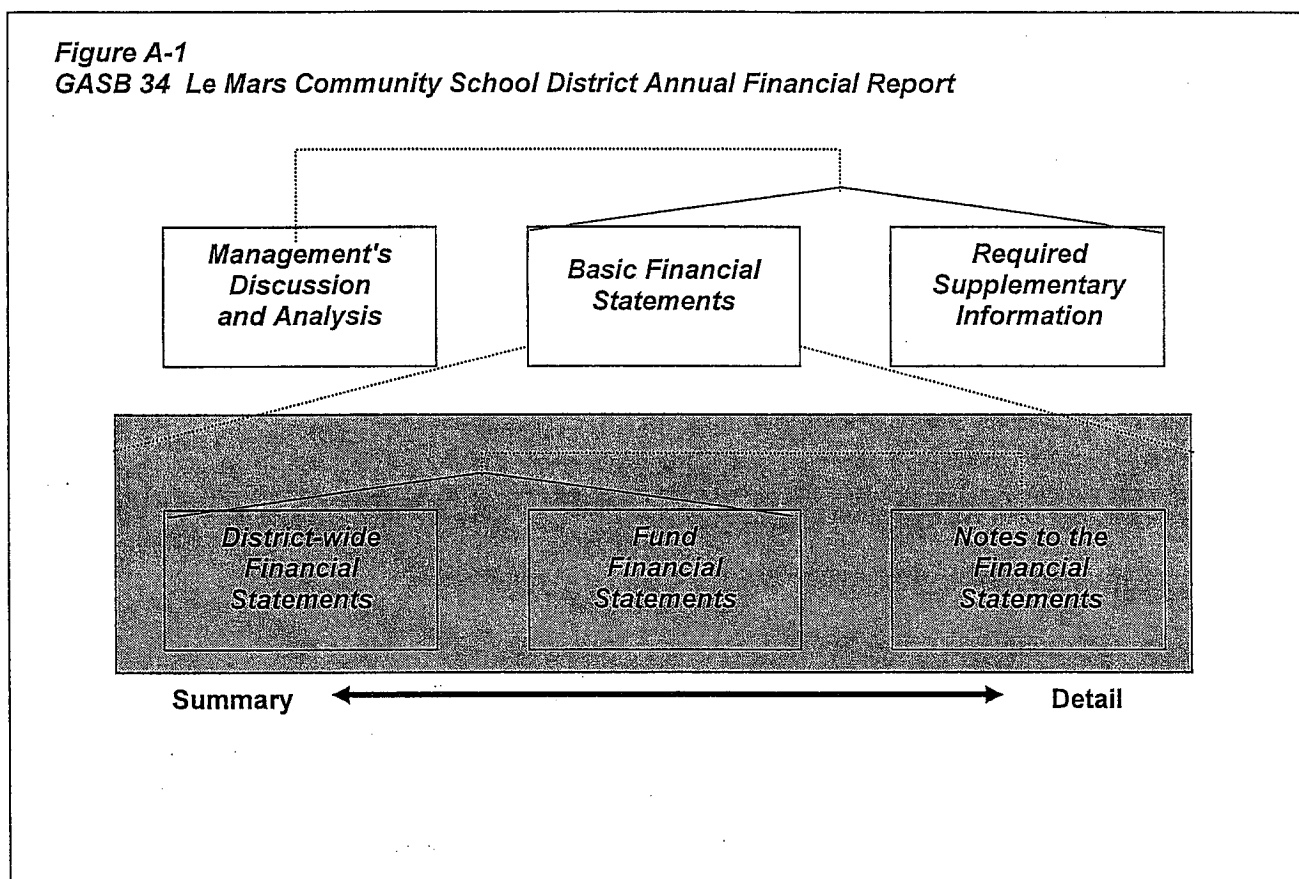


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Current and other assets	\$10,622,350	\$ 10,742,163	\$ 49,393	\$44,493	\$10,671,743	\$10,786,656	1.08%
Capital Assets	7,363,389	7,367,921	4,351	7,446	7,367,740	7,375,367	.1%
Total Assets	17,985,739	18,110,084	53,744	51,939	18,039,483	18,162,023	.68%
Long-term debt outstanding	1,475,000	690,000	-	-	1,475,000	690,000	(53.22%)
Other Liabilities	7,338,872	6,889,399	20,570	12,269	7,359,442	6,901,668	(6.22%)
Total Liabilities	8,813,872	7,579,399	20,570	12,269	8,834,442	7,591,668	(14.07%)
Net Assets							
Invested in capital assets, net of related debt	5,883,030	6,677,921	4,351	7,446	5,887,381	6,685,367	13.55%
Restricted	504,238	425,589	-	-	504,238	425,589	(15.6%)
Unrestricted	2,784,599	3,427,175	28,823	32,224	2,813,422	3,459,399	22.96%
Total Net Assets	\$ 9,171,867	\$ 10,530,685	\$ 33,174	\$39,670	\$ 9,205,041	\$10,570,355	14.83%

The District's combined net assets increased by nearly 15%, or approximately \$1,365,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$79,000 or 15.6% from the prior year. The decrease was primarily a result of decreased property tax revenue in the Physical Plant and Equipment levy, as budgeted.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$646,000 or 22.96%. This increase in unrestricted net assets was a result of the local option sales tax that went into effect July 1, 2004 resulting in revenue of over \$1.1 million. Expenditures from the local option sales tax were only approximately \$325,000 during the year.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,008,377	\$ 1,077,569	\$ 266,605	\$ 311,841	\$ 1,274,982	\$ 1,389,410	8.97%
Operating Grants and Contributions	1,696,100	1,480,186	233,606	260,100	1,929,706	1,740,286	(9.82%)
General Revenues:							
Property Tax	5,955,087	5,516,880	-	-	5,955,087	5,516,880	(7.36%)
Local Option Sales Tax	-	1,108,182	-	-	-	1,108,182	100%
State Aid	7,244,306	8,137,839	-	-	7,244,306	8,137,839	12.33%
Other	57,310	161,553	4,507	121	61,817	161,674	161.54%
Transfers	(80,818)	(88,823)	80,818	88,823	-	-	
TOTAL REVENUES	\$15,880,362	\$17,393,386	\$ 585,536	\$ 660,885	\$16,465,898	\$18,054,271	9.65%
Expenses:							
Instruction	\$10,364,277	\$10,771,765	-	-	\$10,364,277	\$10,771,765	3.93%
Support Services	4,251,197	4,458,607	\$ 627,422	\$ 654,389	4,878,619	5,112,996	4.80%
Debt Services	93,345	67,292	-	-	93,345	67,292	(27.91%)
Intergovernmental	657,856	662,771	-	-	657,856	662,771	.75%
Non-Instructional Program	-	74,133	-	-	-	74,133	100%
TOTAL EXPENSES	\$15,366,675	\$16,034,568	\$ 627,422	\$ 654,389	\$15,994,097	\$16,688,957	4.34%
Change in Net Assets	\$ 513,687	\$ 1,358,818	\$ (41,886)	\$ 6,496	\$ 471,801	\$ 1,365,314	189.38%

Property tax, local option sales tax, and unrestricted state aid accounts for 82% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95% of the total expenses.

Figure A-5
Sources of Revenues for Fiscal Year 2005

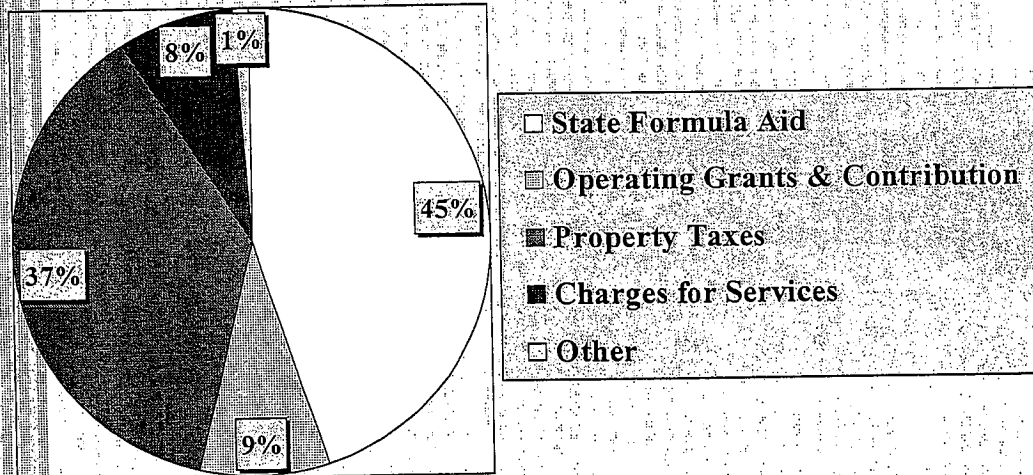
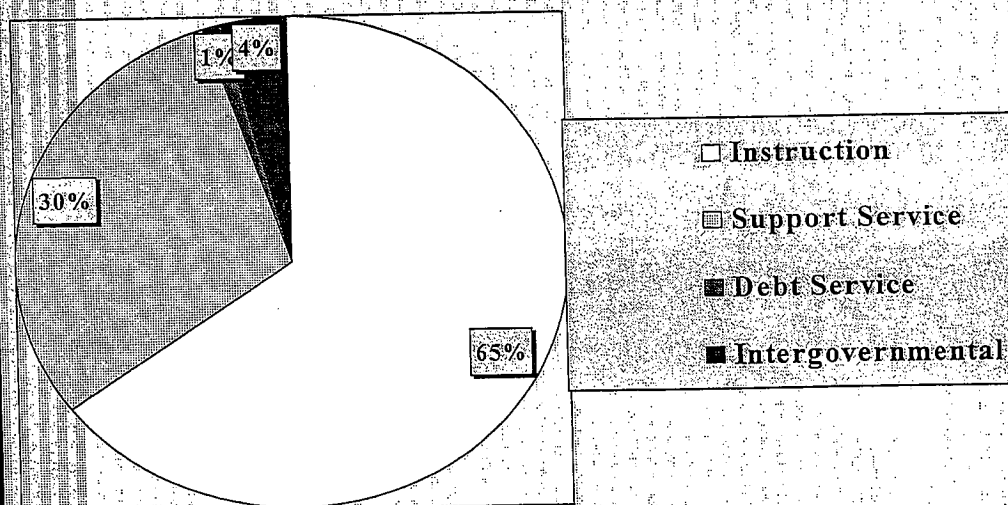


Figure A-6
Expenses for Fiscal Year 2005



Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-7

Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2004	2005		2004	2005	
Instruction	\$10,364,277	\$10,771,765	3.93%	\$ 8,476,005	\$ 8,995,396	6.13%
Support Services	4,251,197	4,458,607	4.88%	4,092,848	4,356,138	6.43%
Non-Instructional	-	74,133	100%	-	57,987	100%
Debt Service	93,345	67,292	(27.91%)	93,345	67,292	(27.91%)
Intergovernmental	657,856	662,771	.07%	-	-	-
TOTAL	\$15,366,675	\$16,034,568	4.35%	\$12,662,198	\$13,476,813	6.43%

- The cost financed by users of the District's programs was \$1,077,569.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$1,480,186.
- The net cost of governmental activities was financed with \$6,625,062 in property and other taxes and \$8,137,839 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$660,885 and expenses totaled \$654,389. (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund to cover prior year losses and increased costs.

Individual Fund Analysis

As previously noted, Le Mars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,895,492, well above last year's ending fund balances of \$3,279,646. The primary reason for the increase in combined fund balances in fiscal 2005 is due to the local option sales tax revenue, net of expenses, of \$783,487.

Governmental Fund Highlights

The decrease in the District's General Fund financial position is the result of many factors. Growth during the year in state aid resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in the General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$219,278 in fiscal 2004 to \$120,035 in fiscal 2005. This decrease is due to the budgeted decrease in the PEEL property tax levy for fiscal 2005. The regular PEEL levy was zero as budgeted by the District.

The Management Fund balance increased from a deficit of \$27,632 in fiscal 2004 to \$21,409 in fiscal 2005. The increase was a result of a combination of an increase in the management fund property tax levy and a decrease in management fund expenditures.

The Debt Service Fund balance was relatively consistent with an increase from \$13,356 in fiscal 2004 to \$16,420 in fiscal 2005.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$33,174 at June 30, 2004 to \$39,670 at June 30, 2005, representing an increase of approximately 20%. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year expenditures did not exceed the certified amounts.

There was some small variance in the District's budget in comparison to actual results. Total actual revenue was 3.4% less than budgeted, while total actual expenditures were 2.7% less than budgeted. Detail can be found in the supplementary information section of this report as required.

Capital Asset and Debt Administration

At June 30, 2005, the District had invested \$14,717,882 in a broad range of assets, including land, buildings, athletic facilities, computer and audio-visual equipment, and transportation equipment. (See Figure A-8.) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year equaled \$517,402.

The largest changes in capital asset activity during the year occurred in the building category and the construction in progress category. The District began a middle school classroom remodeling project during the prior fiscal year which was completed in fiscal 2005 and capitalized.

Figure A-8 – Capital Assets

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2004	2005	2004	2005	2004	2005	2004-2005
Land	\$ 393,275	\$ 393,275	-	-	\$ 393,275	\$ 393,275	-
Const. in Progress	344,817	-	-	-	344,817	-	(100%)
Buildings	10,028,176	10,783,705	-	-	10,028,176	10,783,705	7.5%
Equip/Fur./Vehicles	3,913,430	3,963,806	\$ 38,184	\$ 42,348	3,951,614	4,006,154	1.4%
Total	\$ 13,941,606	\$14,747,511	\$ 38,184	\$ 42,348	\$14,717,882	\$15,183,134	3.2%

Long-Term Debt

At year-end, the District had \$690,000 of general obligation bonds outstanding. See Figure A-9 below.

Figure A-9

Outstanding Long-Term Debt

GO Bonds		GO Capital Loan Notes		Total District	
2004	2005	2004	2005	2004	2005
\$ 400,000	-	\$ 1,075,000	\$ 690,000	\$ 1,470,000	\$ 690,000

Factors Bearing on the District's Future

At the time these financial statements were prepared, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The improving national economy has not positively impacted the State of Iowa's budget to the point where adequate state funding has become a reality. In addition, recent natural disasters in the Gulf Coast region of the United States will most assuredly impact the national economy, gasoline and diesel fuel prices, and the cost of utilities for district buildings. It remains to be seen the specific impact of these events on federal, state and local budgets.
- Under Iowa's school funding formula, the District is highly dependent on student enrollment. We have experienced modest growth the last several years, the count completed in September 2005 shows an enrollment increase of about 16 students.
- Other noteworthy factors-
 - The District's 1991 bond was paid off during FY 2005.
 - The District's Capital Loan Notes will be paid off during FY 2007.
 - The District began receiving revenue from a one (1) cent local option sales tax during FY 2005. This tax was voted in for ten (10) years and will provide very significant revenue for capital repairs and improvement.
 - The District's total tax levy rate is comparatively quite low at \$11.81 per \$1,000 taxable valuation for FY 2005.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Rick Kentfield, Assistant Superintendent, Le Mars Community School District, 921 3rd Avenue SW, Le Mars, IA 51031.

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LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 4,849,257	\$ 32,430	\$ 4,881,687
Investments	38,875		38,875
Receivables:			
Property Tax	61,565		61,565
Succeeding Year Property Tax	5,238,784		5,238,784
Accrued Interest	12,779		12,779
Accounts	19,429		19,429
Due from Other Governments	521,474		521,474
Inventories		12,063	12,063
Land	393,275		393,275
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	6,974,646	7,446	6,982,092
Total Assets	18,110,084	51,939	18,162,023
LIABILITIES			
Accounts Payable	39,764	195	39,959
Salaries and Benefits Payable	1,562,027	1,515	1,563,542
Accrued Interest Payable	2,557		2,557
Unearned Revenue		10,559	10,559
Deferred Revenue:			
Succeeding Year Property Tax	5,238,784		5,238,784
Noncurrent Liabilities:			
Debt Due Within One Year:			
Bonds Payable	400,000		400,000
Compensated Absences	46,267		46,267
Due in More Than One Year:			
Bonds Payable	290,000		290,000
Total Liabilities	7,579,399	12,269	7,591,668
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,677,921	7,446	6,685,367
Restricted for:			
Management Levy	21,409		21,409
Physical Plant and Equipment Levy	120,035		120,035
Debt Service	13,863		13,863
Student Activities	168,914		168,914
Scholarships	101,368		101,368
Unrestricted	3,427,175	32,224	3,459,399
Total Net Assets	\$ 10,530,685	\$ 39,670	\$ 10,570,355

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	Program Revenues	
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 8,170,789	\$ 216,986	\$ 366,273	
Special Instruction	1,677,212	92,936	298,310	
Other Instruction	923,764	734,759	67,105	
Support Services:				
Student Services	591,203	1,251		
Instructional Staff Services	595,643			
Administration Services	1,481,354			
Operation and Maintenance	1,101,425	10,378		
Transportation Services	688,982	5,113	85,727	
Non-instructional Programs	74,133	16,146		
Other Expenditures:				
Facilities Acquisition and Construction Services	5,394			
Long-term Debt Interest	61,898			
AEA Flowthrough	662,771		662,771	
Total governmental activities	<u>16,034,568</u>	<u>1,077,569</u>	<u>1,480,186</u>	<u>-</u>
Business Type Activities:				
Non-instructional Programs:				
Food Service Operations	<u>654,389</u>	<u>311,841</u>	<u>260,100</u>	<u>-</u>
Total	<u>\$ 16,688,957</u>	<u>\$ 1,389,410</u>	<u>\$ 1,740,286</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Loss on disposal of Assets				
Contributions				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (7,587,530)		\$ (7,587,530)
(1,285,966)		(1,285,966)
(121,900)		(121,900)
(589,952)		(589,952)
(595,643)		(595,643)
(1,481,354)		(1,481,354)
(1,091,047)		(1,091,047)
(598,142)		(598,142)
(57,987)		(57,987)
(5,394)		(5,394)
(61,898)		(61,898)
-		-
<u>(13,476,813)</u>		<u>(13,476,813)</u>
	\$ (82,448)	(82,448)
<u>(13,476,813)</u>	<u>(82,448)</u>	<u>(13,559,261)</u>
4,668,346	-	4,668,346
418,374	-	418,374
430,160	-	430,160
1,108,182	-	1,108,182
8,137,839	-	8,137,839
99,603	121	99,724
(948)	-	(948)
26,386	-	26,386
36,512	-	36,512
(88,823)	88,823	-
<u>14,835,631</u>	<u>88,944</u>	<u>14,924,575</u>
1,358,818	6,496	1,365,314
<u>9,171,867</u>	<u>33,174</u>	<u>9,205,041</u>
<u>\$ 10,530,685</u>	<u>\$ 39,670</u>	<u>\$ 10,570,355</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
June 30, 2005

	General	Management Levy
Assets		
Cash and Pooled Investments	\$ 4,061,856	\$ 18,523
Investment		
Receivables:		
Property Tax	50,206	3,243
Succeeding Year Property Tax	4,498,995	302,000
Accrued Interest	12,779	
Accounts	1,374	
Due from Other Governments	164,033	
Total Assets	<u>8,789,243</u>	<u>323,766</u>
Liabilities and Equity		
Liabilities:		
Accounts Payable	39,051	
Salaries and Benefits Payable	1,562,027	
Deferred Revenue:		
Succeeding Year Property Tax	4,498,995	302,000
Other	5,311	357
Total Liabilities	<u>6,105,384</u>	<u>302,357</u>
Fund Balances:		
Reserved for Scholarships		
Reserved for Debt Service		
Unreserved for:		
General Fund	2,683,859	
Special Revenue Fund		21,409
Capital Project Fund		
Total Fund Balances	<u>2,683,859</u>	<u>21,409</u>
Total Liabilities and Equity	<u>\$ 8,789,243</u>	<u>\$ 323,766</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 98,796	\$ 12,629	\$ 657,453	\$ 4,849,257
		38,875	38,875
4,325	3,791		61,565
437,789			5,238,784
			12,779
18,055			19,429
		357,441	521,474
558,965	16,420	1,053,769	10,742,163

713			39,764
			1,562,027
437,789			5,238,784
428			6,096
438,930	-	-	6,846,671

		101,368	101,368
	16,420		16,420
			2,683,859
120,035		168,914	310,358
		783,487	783,487
120,035	16,420	1,053,769	3,895,492
\$ 558,965	\$ 16,420	\$ 1,053,769	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources
and, therefore, are not reported in the funds 7,367,921

Accrued interest on long term debt not reported on the modified accrual basis
of accounting (2,557)

Deferred revenues and accrued expenses from the balance sheet that provide current financial
resources for governmental activities 6,096

Long-term liabilities are not due and payable in the current period and therefore are not reported
in the funds (736,267)

Net Assets of Governmental Activities \$ 10,530,685

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2005

	General	Management Fund
Revenue:		
Local Sources:		
Local Tax	\$ 4,389,252	\$ 282,189
Tuition	329,692	
Other	147,353	16,225
Intermediate Sources	9,705	
State Sources	9,156,434	
Federal Sources	447,639	
Total Revenue	<u>14,480,075</u>	<u>298,414</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	7,930,904	
Special Instruction	1,677,212	
Other Instruction	362,484	
Support Services:		
Student Services	559,903	
Instructional Staff Services	537,380	
Administration Services	1,394,128	73,009
Operation and Maintenance	999,254	76,982
Transportation Services	563,185	25,249
Non-instructional Programs		74,133
Other Expenditures:		
Facilities Acquisition and Construction		
Long-term Debt:		
Principal		
Interest and Fiscal Charges		
AEA Flowthrough	662,771	
Total Expenditures	<u>14,687,221</u>	<u>249,373</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(207,146)</u>	<u>49,041</u>
Other Financing Sources (Uses):		
Transfers In	87,965	
Transfers Out		
Total Other Financing Sources (Uses)	<u>87,965</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(119,181)	49,041
Fund Balances (Deficit) - Beginning of Year	2,803,040	(27,632)
Fund Balances - End of Year	<u>\$ 2,683,859</u>	<u>\$ 21,409</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 430,160	\$ 418,374	\$ 1,108,182	\$ 6,628,157
			329,692
9,175	3,687	738,185	914,625
			9,705
			9,156,434
			447,639
439,335	422,061	1,846,367	17,486,252
			7,930,904
			1,677,212
			362,484
		564,949	1,124,852
			537,380
			1,467,137
			1,076,236
			588,434
			74,133
107,875		326,629	434,504
	785,000		785,000
	64,700		64,700
			662,771
107,875	849,700	891,578	16,785,747
331,460	(427,639)	954,789	700,505
	430,703		518,668
(430,703)		(172,624)	(603,327)
(430,703)	430,703	(172,624)	(84,659)
(99,243)	3,064	782,165	615,846
219,278	13,356	271,604	3,279,646
\$ 120,035	\$ 16,420	\$ 1,053,769	\$ 3,895,492

See Accompanying Notes to Financial Statements

LEMARS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ 615,846
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 525,977	
Depreciation expense	<u>(516,333)</u>	9,644

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(5,112)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(3,095)
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Accrued compensated absences not reported on the modified accrual basis.	(46,267)
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Accrued interest expense not reported on the modified accrual basis.	2,802
----------------------------------------------------------------------	-------

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:	<u>785,000</u>
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Change in net assets of governmental activities (page 17)	<u><u>\$ 1,358,818</u></u>
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LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 306,870
Miscellaneous	4,971
	<u>311,841</u>
Total Operating Revenue	
Operating Expenditures:	
Food Service Operations:	
Salaries	211,849
Benefits	55,307
Food	354,315
Delivery	8,864
Supplies	19,121
Telephone	391
Other	3,473
Depreciation	1,069
	<u>654,389</u>
Total Operating Expenses	
	<u>(342,548)</u>
Operating Loss	
Non-Operating Revenues :	
Interest Income	121
State Lunch Reimbursements	11,061
National School Lunch Program	205,393
Federal Food Commodities Received	43,646
	<u>260,221</u>
Total Non-Operating Revenues	
	<u>(82,327)</u>
Loss Before Contributions and Transfers	
Other Financing Sources:	
Transfers from other Funds	84,659
Capital Contributions	4,164
	<u>88,823</u>
Total Other Financing Sources	
	6,496
Change in net assets	
	<u>33,174</u>
Net Assets-beginning	
	<u>\$ 39,670</u>
Net Assets-ending	

See Accompanying Notes to Financial Statements

LEMARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Business Type Activity
For the Year Ended June 30, 2005

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 308,111
Cash received from miscellaneous operating activities	4,971
Cash payments for salaries and benefits	(352,018)
Cash payments for goods and services	(267,156)
Total cash (used) by operating activities	<u>(306,092)</u>
Cash flows from noncapital financing activities:	
Federal and state appropriations received	216,454
Transfers from other funds	84,659
Total cash provided by noncapital financing activities	<u>301,113</u>
Cash flows from investing activities:	
Interest on investments	<u>121</u>
Net (decrease) in cash and cash equivalents	(4,858)
Cash and cash equivalents - beginning of year	<u>37,288</u>
Cash and cash equivalents - end of year	<u><u>\$ 32,430</u></u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	(342,548)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation Expense	1,069
Commodities Used	43,646
(Increase) decrease in assets and increase (decrease) in liabilities:	
Inventory	42
Accounts Payable	158
Salaries and Benefits Payable	(9,700)
Unearned Revenue	1,241
Net cash (used) in operating activities	<u><u>\$ (306,092)</u></u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	<u>\$ 43,646</u>
Capital Contributions	<u><u>\$ 4,164</u></u>

See Accompanying Notes to Financial Statements

LEMARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
June 30, 2005

	<u>2005</u>
Cash and Temporary Cash Investments	<u>\$ 5,929</u>
Total Net Assets	<u>5,929</u>
Liabilities:	
Other Payables	<u>5,929</u>
Unrestricted Net Assets	<u>-</u>
Net Assets	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

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LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a component unit for the year ended June 30, 2005. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2004.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

type. The District's general, special revenue, capital project, and debt service funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Projects Fund accounts for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to account for assets held by the District in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following is the District's fiduciary fund:

Agency Fund - The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The general fund is always considered to be a major fund.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds:

Management Fund – Accounts for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

Debt Service Fund – See description on the previous page.

The District reports the following major proprietary fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Fund Equity

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005 included certificates of deposit of \$105,337 with original maturity dates longer than three months.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Property Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Structures	20 – 50
Machinery and Equipment	5 - 20

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2005.

At June 30, 2005 the District had the following investments:

	Credit Risk	Fair Value
Mutual Fund – Rydex Investments	Not Rated	<u>\$ 33,419</u>
	Credit Risk	Policy Cash Value
New York Life Insurance Policy	Not Rated	<u>\$ 5,456</u>

NOTE 3 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$662,771 for the year ended June 30, 2005, and is recorded in the General Fund.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 4 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Reclassifications	Balance June 30, 2005
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 393,275	-	-	-	\$ 393,275
Construction in Progress	344,817	-	-	\$ (344,817)	-
Total capital assets not being depreciated	738,092	-	-	(344,817)	393,275
Capital assets being depreciated:					
Buildings	10,028,176	\$ 410,712	-	344,817	10,783,705
Vehicles	1,291,132	-	-	-	1,291,132
Furniture and equipment	2,622,298	115,265	\$ 64,889	-	2,672,674
Total capital assets being depreciated	13,941,606	525,977	64,889	344,817	14,747,511
Less Accumulated Depreciation for:					
Buildings	4,591,310	211,987	-	-	4,803,297
Vehicles	885,642	95,408	-	41,308	1,022,358
Furniture and equipment	1,839,357	208,938	59,777	(41,308)	1,947,210
Total Accumulated Depreciation	7,316,309	516,333	59,777	-	7,772,865
Total capital assets being depreciated, net	6,625,297	9,644	5,112	344,817	6,974,646
Governmental activities capital assets, net	\$ 7,363,389	\$ 9,644	\$ 5,112	\$ -	\$ 7,367,921

Depreciation Expense was charged to governmental activities as follows:

Regular Instruction	\$335,030
Instructional Staff Services	58,263
Other Instruction	27,631
Transportation Services	95,409
Total Depreciation Expenses – Governmental Activities	<u>\$516,333</u>

A summary of the School Nutrition enterprise fund property, plant, and equipment at June 30, 2005 is as follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Equipment	\$ 38,184	\$ 4,164	-	\$ 42,348
Accumulated Depreciation	33,833	1,069	-	34,902
Business-Type Activities Capital Assets, Net	\$ 4,351	\$ 3,095	-	\$ 7,446

The total of \$1,069 of business-type activities depreciation was charged to the food service operation's function.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 5 – RETIREMENT SYSTEM

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$580,464, \$561,655, and \$539,923 respectively, equal to the required contributions for each year.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

Certified employees retiring with at least 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. The benefits are funded on a pay as you go basis. The district paid \$90,044 in benefits during the year ended June 30, 2005. There are currently 18 participants receiving benefits.

Note 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2005 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,475,000	-	\$ 785,000	\$ 690,000	\$ 400,000
Compensated Absences	-	\$ 49,399	3,132	46,267	46,267
Total	\$ 1,475,000	\$ 49,399	\$ 788,132	\$ 736,267	\$ 446,267

Details of the above bonds payable at June 30, 2005 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Go Capital Loan Note	2001	4.3-4.65%	6-1-07	\$290,000-400,000	\$1,750,000	\$ 690,000
						<u>\$ 690,000</u>

The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

Fiscal Year	Principal	Interest
2006	\$ 400,000	\$ 30,686
2007	290,000	13,486
	<u>\$ 690,000</u>	<u>\$ 44,172</u>

\$16,420 is available in the Debt Service Fund to service the General Obligation Bonds.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 8 – RISK MANAGEMENT

The District was a member in the Iowa School Employee Benefits Association (ISEBA), and Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage, ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$46,842. The District has entered into litigation along with other Districts opposing this assessment. Although the outcome of this lawsuit is not presently determinable, the resolution of this matter will not have a material adverse effect on the financial condition of the government.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – CONSTRUCTION COMMITMENTS

The District has entered into various construction contracts totaling \$298,469 for the middle school roof replacement, HVAC replacement of Kluckhohn and Kissinger schools, and the gymnasium remodel at the high school. At June 30, 2005 no work had been performed on any of the projects.

NOTE 10 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 430,703
School Nutrition Fund	Student Activity	84,659
General	Student Activity	87,965
Total		<u>\$ 603,327</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

REQUIRED SUPPLEMENTARY INFORMATION

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Cash Basis)-
General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2005

	General Fund		
	Original and Final Budget	Total Actual	Variance with budget Favorable (Unfavorable)
Receipts:			
Local Sources:			
Local Taxes	\$ 4,386,274	\$ 4,385,742	\$ (532)
Tuition	347,000	336,053	(10,947)
Other	245,500	137,966	(107,534)
Intermediate Sources	-	9,705	9,705
State Sources	9,181,434	9,100,838	(80,596)
Federal Sources	397,000	452,621	55,621
Total Revenues	<u>14,557,208</u>	<u>14,422,925</u>	<u>(134,283)</u>
Expenditures:			
Instruction	10,201,487	9,911,452	290,035
Support Services	3,980,035	4,101,201	(121,166)
Non-Instructional Programs	760	-	760
Other Expenditures	718,118	662,771	55,347
Total Expenditures	<u>14,900,400</u>	<u>14,675,424</u>	<u>\$ 224,976</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(343,192)</u>	<u>(252,499)</u>	
Other Financing Sources (Uses)			
Transfers From Other Funds	-	87,965	
Transfers To Other Funds	-	-	
Total Other Financing Sources (Uses)	<u>-</u>	<u>87,965</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(343,192)</u>	<u>(164,534)</u>	
Fund Balance Beginning of Year	<u>4,226,390</u>	<u>4,226,390</u>	
Fund Balance End of Year	<u>\$ 3,883,198</u>	<u>\$ 4,061,856</u>	

Management Levy			Property, Plant, and Equipment		
Original and Final Budget	Total Actual	Variance with budget Favorable (Unfavorable)	Original and Final Budget	Total Actual	Variance with budget Favorable (Unfavorable)
\$ 282,000	\$ 281,734	\$ (266)	\$ 430,703	\$ 432,267	\$ 1,564
-	-	-	-	-	-
-	16,225	16,225	-	15,176	15,176
-	-	-	-	-	-
-	-	-	-	-	-
<u>282,000</u>	<u>297,959</u>	<u>15,959</u>	<u>430,703</u>	<u>447,443</u>	<u>16,740</u>
45,000	-	45,000	-	-	-
105,000	175,240	(70,240)	150,000	-	150,000
120,000	74,133	45,867	-	-	-
-	-	-	203,110	333,041	(129,931)
<u>270,000</u>	<u>249,373</u>	<u>\$ 20,627</u>	<u>353,110</u>	<u>333,041</u>	<u>\$ 20,069</u>
12,000	48,586		77,593	114,402	
-	-		-	-	
<u>-</u>	<u>-</u>		<u>(430,703)</u>	<u>(430,703)</u>	
-	-		(430,703)	(430,703)	
12,000	48,586		(353,110)	(316,301)	
<u>(30,063)</u>	<u>(30,063)</u>		<u>415,097</u>	<u>415,097</u>	
<u>\$ (18,063)</u>	<u>\$ 18,523</u>		<u>\$ 61,987</u>	<u>\$ 98,796</u>	

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LE MARS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the Foundation and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the fiscal year 2005, there were no budget amendments.

The following schedule demonstrates the District's legal compliance to the budget.

Function	Original and Final Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Instruction	\$ 10,246,487	\$ 9,911,452	\$ 335,035
Support Services	5,515,035	5,429,264	85,771
Non-instructional Programs	166,760	74,133	92,627
Other Expenditures	2,154,777	2,172,141	17,364
	<u>\$ 18,083,059</u>	<u>\$ 17,586,990</u>	<u>\$ 496,069</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2004-2005 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

Governmental Fund Types			
	General		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 14,422,925	\$ 57,150	\$ 14,480,075
Expenditures	14,675,424	11,797	14,687,221
Net	(252,499)	45,353	(207,146)
Other Financing Sources, net	87,965	-	87,965
Beginning Fund Balance	4,226,390	(1,423,350)	2,803,040
Ending Fund Balance	<u>\$ 4,061,856</u>	<u>\$ (1,377,997)</u>	<u>\$ 2,683,859</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

	<u>Management Fund</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 297,959	\$ 455	\$ 298,414
Expenditures	249,373	-	249,373
Net	48,586	455	49,041
Beginning Fund Balance	(30,063)	2,431	(27,632)
Ending Fund Balance	\$ 18,523	\$ 2,886	\$ 21,409

	<u>PPEL Fund</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 447,443	\$ (8,108)	\$ 439,335
Expenditures	333,041	(225,166)	107,875
Net	114,402	217,058	331,460
Other Financing Sources, net	(430,703)	-	(430,703)
Beginning Fund Balance	415,097	(195,819)	219,278
Ending Fund Balance	\$ 98,796	\$ 21,239	\$ 120,035

	<u>Debt Service</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 421,805	\$ 256	\$ 422,061
Expenditures	849,700	-	849,700
Net	(427,895)	256	(427,639)
Other Financing Sources, net	430,703	-	430,703
Beginning Fund Balance	9,821	3,535	13,356
Ending Fund Balance	\$ 12,629	\$ 3,791	\$ 16,420

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

Non Major Funds

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 1,457,959	\$ 357,441	\$ 1,815,400
Expenditures	860,278	-	860,278
Net	597,681	357,441	955,122
Other Financing Sources, net	(172,624)	-	(172,624)
Beginning Fund Balance	169,903	-	169,903
Ending Fund Balance	<u>\$ 594,960</u>	<u>\$ 357,441</u>	<u>\$ 952,401</u>

Governmental Fund Types

	<u>Cash Basis</u>	<u>Totals Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 17,048,091	\$ 407,194	\$ 17,455,285
Expenditures	16,967,816	(213,369)	16,754,447
Net	80,275	620,563	700,838
Other Financing Sources, net	(84,659)	-	(84,659)
Beginning Fund Balance	4,791,148	(1,613,203)	3,177,945
Ending Fund Balance	<u>\$ 4,786,764</u>	<u>\$ (992,640)</u>	<u>\$ 3,794,124</u>

Proprietary Fund Type

School Nutrition

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 529,657	\$ 46,569	\$ 576,226
Expenditures	619,174	35,215	654,389
Net	(89,517)	11,354	(78,163)
Other Financing Sources, net	84,659	-	84,659
Beginning Fund Balance	37,288	(4,114)	33,174
Ending Fund Balance	<u>\$ 32,430</u>	<u>\$ 7,240</u>	<u>\$ 39,670</u>

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SUPPLEMENTARY INFORMATION

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2005

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 4,374,338
Mobile Home Tax	14,914
	<u>4,389,252</u>

Other Local Sources:

Interest on Investments	83,765
Tuition from Other Districts	288,770
Tuition from Individuals	40,922
Transportation Fees	5,113
Rent	10,378
Miscellaneous	48,097
	<u>477,045</u>
	<u>4,866,297</u>

Intermediate Sources:

Medicaid	<u>9,705</u>
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State Sources:

State Foundation Aid	7,811,912
Teacher Compensation	180,700
Educational Excellence Program:	
Phase I	23,054
Phase II	183,306
Non-Public Transportation Aid	85,727
Vocational Education Aid	43,301
Iowa Early Intervention Block Grant	125,288
AEA Flow-Through	662,771
Other State Aid	40,375
	<u>9,156,434</u>

Federal Sources:

Title I Grants to Local Educational Agencies	174,427
Improving Teacher Quality State Grants	70,738
Safe and Drug-Free Schools and Communities-States Grants	9,790
State Grants for Innovative Programs	9,839
Vocational Education - Basic Grants to States	23,804
Special Education - Grants to States	123,883
Improvement of Education Grants	21,514
Title VI Grants for Assessments and Related Activities	13,644
	<u>447,639</u>

Total Revenue

\$ 14,480,075

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2005

Schedule 1 (Continued)

Expenditures:

Instruction:

Regular Instruction:

Salaries	\$ 5,596,346
Benefits	1,738,838
Services	384,647
Supplies	157,027
Property	54,046
	<u>7,930,904</u>

Special Education Instruction:

Salaries	1,187,168
Benefits	362,404
Services	77,281
Supplies	18,742
Property	31,617
	<u>1,677,212</u>

Vocational Instruction:

Supplies	10,941
Property	8,709
	<u>19,650</u>

Co-curricular Instruction:

Salaries	253,507
Benefits	68,976
Services	9,780
Supplies	3,561
	<u>335,824</u>

Nonpublic Instruction:

Supplies	7,010
	<u>7,010</u>

Total Instruction

9,970,600

Support Services:

Student Services:

Guidance Services:

Salaries	355,631
Benefits	99,688
Services	7,403
Supplies	18,579
	<u>\$ 481,301</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2005

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 49,356
Benefits	22,949
Services	2,158
Supplies	4,139
	<u>78,602</u>

Total Student Services

559,903

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	88,102
Benefits	11,806
Services	3,220
Supplies	2,062
	<u>105,190</u>

Educational Media Services:

Salaries	254,797
Benefits	65,432
Services	9,358
Supplies	35,863
	<u>365,450</u>

Other Instructional Staff Support Services:

Services	1,789
Supplies	44,498
Property	20,453
	<u>66,740</u>

Total Instructional Staff Services

537,380

Support Services:

Administration Services:

Executive Administration:

Salaries	267,767
Benefits	117,064
Services	3,340
Supplies	7,928
Other	435
	<u>\$ 396,534</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2005

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

School Administration:

Salaries	\$ 648,640
Benefits	229,311
Services	3,434
Supplies	1,479
Other	658
	<u>883,522</u>

Business Administration:

Salaries	23,836
Benefits	12,753
Services	23,186
Supplies	7,375
	<u>67,150</u>

Board of Education:

Services	20,970
Supplies	25,952
	<u>46,922</u>

Total Administration Services:

1,394,128

Support Services:

Plant Operation and Maintenance:

Salaries	442,952
Benefits	154,122
Services	59,793
Supplies	335,854
Property	6,533
	<u>999,254</u>

Support Services:

Student Transportation:

Salaries	368,092
Benefits	72,763
Services	29,202
Supplies	93,128
	<u>563,185</u>

Total Support Services

\$ 4,053,850

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2005

Schedule 1 (Continued)

Other Expenditures:

AEA Flow-Through	\$	662,771
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Total Expenditures		14,687,221
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(Deficiency) of Revenues Over Expenditures		(207,146)
--------------------------------------------	--	-----------

Other Financing Uses:

Transfers From Other Funds		87,965
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(Deficiency) of Revenues Over Expenditures and Other Financing Uses		(119,181)
---------------------------------------------------------------------	--	-----------

Fund Balance - Beginning of Year		2,803,040
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Fund Balance - End of Year	\$	2,683,859
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LEMARS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2005

Schedule 2

	<u>Special Revenue</u>		Capital Project LOST	
	Activity Fund	LCSD Foundation		Total
Assets				
Cash and Pooled Investments	\$ 168,914	\$ 62,493	\$ 426,046	\$ 657,453
Investments	-	38,875	-	38,875
Due from Other Governments	-	-	357,441	357,441
	<u>168,914</u>	<u>101,368</u>	<u>783,487</u>	<u>1,053,769</u>
Total Assets				
Liabilities and Equity				
Liabilities:	-	-	-	-
Total Liabilities				
Fund Balances:				
Reserved for Scholarships	-	101,368	-	101,368
Unreserved for:				
Special Revenue Fund	168,914	-	-	168,914
Capital Project Fund	-	-	783,487	783,487
Total Fund Balances	<u>\$ 168,914</u>	<u>\$ 101,368</u>	<u>\$ 783,487</u>	<u>\$ 1,053,769</u>
Total Liabilities and Equity				

LEMARS COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2005

Schedule 3

	Special Revenue		Capital Project LOST	Total
	Activity Fund	LCSD Foundation		
Revenue:				
Local Sources:				
Local Tax	\$ -	\$ -	\$ 1,108,182	\$ 1,108,182
Other	705,284	30,967	1,934	738,185
Total Revenue	705,284	30,967	1,110,116	1,846,367
Expenditures:				
Support Services:				
Student Services	533,649	31,300	-	564,949
Other Expenditures:				
Facilities Acquisition and Construction	-	-	326,629	326,629
Total Expenditures	533,649	31,300	326,629	891,578
Excess (Deficiency) of Revenues over Expenditures	171,635	(333)	783,487	954,789
Other Financing Sources (Uses):				
Transfers Out	(172,624)	-	-	(172,624)
Total Other Financing Sources (Uses)	(172,624)	-	-	(172,624)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(989)	(333)	783,487	782,165
Fund Balances - Beginning of Year	169,903	101,701	-	271,604
Fund Balances - End of Year	\$ 168,914	\$ 101,368	\$ 783,487	\$ 1,053,769

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2005

					Schedule 4
	Balance				Balance
	June 30,	Revenues	Expenditures	Transfers	June 30,
	2004				2005
Senior High					
Bark	\$ 15,155	\$ 13,605	\$ 18,415		\$ 10,345
F.F.A.	10,705	23,826	28,335		6,196
Miscellaneous Music	(1,301)	16,214	10,594		4,319
F.C.A.	330	827	1,114		43
Debate	158	9,079	9,420		(183)
Library	1,288	1,885	890		2,283
Vocal Music	7,001	22,139	17,814		11,326
Instrumental Music	(195)	9,081	6,538		2,348
Music Orchestra	4,178	30,398	34,734		(158)
National Honor Society	-	132	132		-
Dance Team	4,434	11,046	7,300		8,180
Student Council	13,035	65,584	64,495		14,124
Thespians	14	262	74		202
German Club	2,386	-	70		2,316
Spanish Club	5,868	3,773	4,109		5,532
Dramatics	1,306	1,128	722		1,712
Trades and Industries	15,505	8,887	13,247		11,145
Miscellaneous Athletics	11,172	144,674	151,249		4,597
Clearing	2,297	36,657	9,503	\$ (27,437)	2,014
Cheerleaders	18	8,184	7,283		919
Senior Class	1,534	4,876	4,877		1,533
Junior Class	-	6,453	6,453		-
Sophomore Class	-	47	47		-
Freshman Class	-	48	48		-
Miscellaneous	5,081	3,346	743		7,684
Technology Club	151	584	654		81
Home Economics Club	752	-	-		752
Math Club	1,010	592	738		864
Science Club	142	3,301	3,400		43
Make-A-Wish Club	1,002	2,926	2,082		1,846
	<u>\$ 103,026</u>	<u>\$ 429,554</u>	<u>\$ 405,080</u>	<u>\$ (27,437)</u>	<u>\$ 100,063</u>

(Continued)

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity - (Continued)
For the Year Ended June 30, 2005

	Schedule 4 (Continued)			
	Balance June 30, 2004	Revenues	Expenditures	Operating Balance June 30, 2005
Middle School				
Book Rent	-	\$ 15,751		\$ (15,751)
Miscellaneous	\$ 8,696	10,507	\$ 7,571	\$ 11,632
Student Council	13,693	11,722	11,701	13,714
Insurance	-	219	219	-
Library	708	6,306	5,626	1,388
Clearing	534	8,467	8,399	602
High School Principal	-	5,750	5,750	-
Band	6,178	5,024	10,379	823
Industrial Arts	-	3,528	-	(3,528)
Instrument Rental	4,482	960	4,061	1,381
Other	3,112	7,374	8,422	2,064
Bus	-	1,977	-	(1,977)
Art	3,222	1,421	1,169	3,474
	40,625	79,006	63,297	(21,256)
				35,078
Merrill Elementary School	281	31,398	4,834	(26,457)
				388
Central Elementary School	25,971	165,326	60,438	(97,474)
				33,385
Total for Activity Funds	\$ 169,903	\$ 705,284	\$ 533,649	\$ (172,624)
				\$ 168,914

LEMARS COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
Agency Fund
For the Year Ended June 30, 2005

Schedule 5

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 3,745	\$ 125,583	\$ 123,399	\$ 5,929
Total Assets	3,745	125,583	123,399	5,929
<u>Liabilities</u>				
Other Payables	3,745	125,583	123,399	5,929
Total Liabilities	\$ 3,745	\$ 125,583	\$ 123,399	\$ 5,929

LE MARS COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2005, 2004, 2003, 2002

Schedule 6

	Modified Accrual Basis of Accounting			
	2005	2004	2003	2002
Local Sources:				
Property Taxes	\$ 5,501,658	\$ 5,859,355	\$ 5,584,536	\$ 4,892,144
Mobile Home Taxes	18,317	18,680	20,158	19,307
Local Option Sales and Services Tax	1,108,182	-	-	-
	<u>6,628,157</u>	<u>5,878,035</u>	<u>5,604,694</u>	<u>4,911,451</u>
State Sources:				
State Foundation Aid	7,811,912	7,244,306	7,112,992	6,544,580
School Improvement and Technology	-	-	9,330	65,452
Teacher Compensation	180,700	161,937	137,430	131,446
State Lunch Reimbursement	11,061	10,877	10,811	9,326
Educational Excellence Program:				
Phase I	23,054	22,883	23,094	23,054
Phase II	183,306	182,275	184,118	181,998
Phase III	-	-	45,955	103,984
Non-Public Transportation Aid	85,727	76,719	82,917	93,442
Vocational Education Aid	43,301	12,939	14,357	13,439
Iowa Early Intervention Block Grant	125,288	124,338	122,376	124,252
AEA Flow-Through	662,771	657,856	688,078	675,547
Other State Aid	40,375	47,962	43,833	34,224
	<u>9,167,495</u>	<u>8,542,092</u>	<u>8,475,291</u>	<u>8,000,744</u>
Federal Sources:				
Title I	174,427	177,042	177,374	151,229
Class Size Reduction	-	-	-	42,031
Safe and Drug Free Schools and Communities	9,790	9,959	11,937	9,276
State Grants for Innovative Programs	9,839	13,513	13,549	13,950
Special Education - Grants to States	123,883	95,675	63,013	32,036
Improving Teacher Quality State Grants	70,738	71,135	-	-
Vocational Education - Basic Grants to States	23,804	24,776	-	-
Improvement of Education Grants	21,514	-	-	-
National School Lunch Fund	205,393	190,225	182,703	148,203
Food Distribution	43,646	32,504	27,473	40,583
Other Federal Aid	13,644	13,458	108,713	23,568
	<u>696,678</u>	<u>628,287</u>	<u>584,762</u>	<u>460,876</u>
Total	<u>\$ 16,492,330</u>	<u>\$ 15,048,414</u>	<u>\$ 14,664,747</u>	<u>\$ 13,373,071</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

			Schedule 7	
Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Food Distribution (non-cash)	10.550	FY05	\$	43,646
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY05		32,716
National School Lunch Program	10.555	FY05		172,677
				<u>205,393</u> *
U.S. Department of Education:				
Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY05		174,476 *
Vocational Education - Basic Grants to States	84.048	FY05		23,804
Safe and Drug-Free Schools and Communities -				
State Grants	84.186	FY05		9,790
State Grants for Innovative Programs	84.298	FY05		9,839
Improving Teacher Quality State Grants	84.367	FY05		70,738
Grants for State Assessments &				
Related Activities	84.369	FY05		13,644
Western Hills Area Education Agency				
Special Education - Grants to States	84.027	FY05		123,883
Iowa Public Television:				
Fund for the Improvement of Education	84.215	FY05		<u>21,514</u>
Total			\$	<u>696,727</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Schedule 8

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding, which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Schedule 8 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-05 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Schedule 8 (Continued)

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

III-A-05 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Schedule 8 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-05 Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed amounts budgeted.
- IV-C-05 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-05 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2005.
- IV-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-05 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2005.
 Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.
 Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.
 Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2005

Schedule 8 (Continued)

Part V: Findings – Year Ended June 30, 2004

II-A-04: Financial Accounting – Segregation of Duties

Condition: The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation: With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Current Status: This finding still exists at June 30, 2005 (See Comment II-A-05).



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Le Mars Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2005, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Le Mars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Le Mars Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Le Mars Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be

detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-05 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company P.C.
Certified Public Accountants

Le Mars, Iowa
August 11, 2005



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
Le Mars Community School District:

Compliance:

We have audited the compliance of LE MARS COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Le Mars Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Le Mars Community School District's management. Our responsibility is to express an opinion on Le Mars Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Le Mars Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Le Mars Community School District's compliance with those requirements.

In our opinion, Le Mars Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance:

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Le Mars Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Le Mars Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item III-A-05 to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom Le Mars Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

Williams & Company P.C.
Certified Public Accountants

Le Mars, Iowa
August 11, 2005

**Schedule of Findings and Questioned Costs
Corrective Action Plan
June 30, 2005**

Department of Education:

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2005.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2005.

The finding from the June 30, 2005 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of the Independent Auditor's Results, does include a finding and is not addressed.

The audit disclosed a reportable condition as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

REPORTABLE CONDITIONS:

III-A-05 – Financial Accounting – Segregation of Duties – National School Lunch Program CFDA #10.553 and 10.555 – Title 1 Grants to Local Educational Agencies CFDA #84.010

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

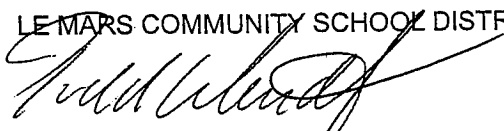
Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Todd Wendt at 712-546-4155.

Sincerely yours,

LE MARS COMMUNITY SCHOOL DISTRICT



Dr. Todd Wendt, Superintendent

